

July 27, 2010

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

Attention: David W. Danner  
Executive Director and Secretary

**RE: Docket UE-001457 - Joint Motion for an Accounting Order Amending  
Original Accounting Order**

Dear Mr. Danner:

PacifiCorp, d.b.a. Pacific Power (“PacifiCorp” or “Company”) submits the following comments in response to comments filed by Public Counsel in the above referenced Docket on July 23, 2010, through which Public Counsel argues against the Joint Motion<sup>1</sup> filed by PacifiCorp and Washington Utilities and Transportation Commission Staff (“Commission Staff”) which proposes to eliminate the carrying charge on positive balances in the System Benefits Charge (“SBC”) balancing account.<sup>2</sup> This matter is on the agenda for the Commission’s July 29, 2010 Open Meeting.

The Company agrees with Public Counsel that it is important to avoid unnecessary positive balances in the SBC account, but does not agree that a carrying charge on positive SBC balances is essential in accomplishing this objective. The Company believes that the Conditions List<sup>3</sup> agreed to and filed in Docket UE-100170 contains sufficient provisions to protect against unnecessary positive balances in the SBC account.

As stated by the Company and Commission Staff in the Joint Motion and as detailed in the Conditions List, PacifiCorp will be required to file on an annual basis adjustments to its SBC collection rate. The collection rate set in these annual filings will be designed to recover the future year’s budgeted expenditures and any significant over or under collections accrued in the SBC balancing account.<sup>4</sup> It should be noted that this provision does not preclude the Company

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<sup>1</sup> The Joint Motion was filed by PacifiCorp and Washington Utilities and Transportation Commission Staff on July 13, 2010 in Docket UE-001457.

<sup>2</sup> The Joint Motion also proposes to modify reporting requirements established in the original Accounting Order in Docket UE-001457. Public Counsel does not oppose these modifications in their comments.

<sup>3</sup> The Conditions List was filed in Docket UE-100170 on July 15, 2010.

<sup>4</sup> Refer to item 8(d) and 11(a) in the Conditions List.

from filing adjustments to the SBC more frequently to address budgeted expenditures or accrued balances in the SBC balancing account. Further, the Conditions List specifies reporting requirements under which the Company will report to the Commission and DSM Advisory Group actual SBC collections and expenditures on a semi-annual basis.<sup>5</sup> The Company believes these reporting requirements along with the annual SBC adjustment filing are sufficient to provide protection against the accumulation of significant balances in the SBC account, positive or negative. PacifiCorp also notes that as the Company seeks to achieve its I-937 conservation targets going forward, it is expected that SBC expenditures will increase over historical levels. This will mitigate the likelihood and magnitude of over collected balances in the SBC account.

Public Counsel argues that removing the carrying charge on positive balances could result in the Company realizing a windfall on the interest earned on positive balances in the SBC account. This assertion is inaccurate given the current financial markets. Indeed, any balances – positive or negative – in the SBC account are not financed by the Company at the 8.8 percent rate used to calculate interest on positive SBC balances.<sup>6</sup> The balances are short term in nature and fluctuate on a monthly basis. A more accurate metric of interest accrued is, therefore, related to short term interest rates. In June 2010, interest earned on the Company's short term cash investments was 0.08 percent.

Furthermore, in the event of a negative SBC balance, PacifiCorp must incur finance charges to generate the funds necessary to finance ongoing SBC expenditures. Since the inception of the SBC in 2001, PacifiCorp has incurred finance charges to raise funds to support SBC expenditures when negative balances have existed in the SBC account. Going forward, interest earned on SBC funds when a positive balance exists can be viewed as partially compensating the Company for the financing costs incurred to fund SBC expenditures when a negative balance exists.

Finally, Public Counsel contends that because the Company manages its conservation programs, it must bear the risk associated with over and under collections in the SBC balancing account. In response, PacifiCorp believes that the requirement to pursue all cost effective conservation under I-937 coupled with a one-way carrying charge on positive SBC balances unduly penalizes the Company in its pursuit of conservation resources. Under I-937, the Company is required to pursue all cost-effective conservation, regardless of the balance in its SBC account. In circumstances where a negative SBC balance exists, the Company is required to continue pursuing conservation resources in compliance with I-937, while at the same time incurring finance charges to fund the expenditures necessary to acquire the conservation resources. PacifiCorp believes that eliminating the penalty caused by the one-way carrying charge is in alignment with the intent of I-937 in that doing so removes a barrier to the Company in pursuing all cost-effective conservations resources.

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<sup>5</sup> Refer to items 8(a), 8(c), 8(e) and 8(g) in the Conditions List.

<sup>6</sup> Ordering paragraph 3 of the Accounting Order dated October 25, 2000 in UE-001457 specifies interest on positive SBC balances should be accrued at an annual rate of 8.8 percent.

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For these reasons, PacifiCorp respectfully requests the Commission approve the Joint Motion of PacifiCorp and Commission Staff as submitted in this Docket.

If you have any questions regarding these comments, please contact Cathie Allen, Regulatory Manager, at (503) 813-5934.

Sincerely,

  
Andrea L. Kelly  
Vice President, Regulation